

June 11, 2001

**TO:** Senator Snyder, Chair  
Senator McDonald  
Representative Dunshee  
Representative Cairnes  
Fred Kiga, Director, DOR  
Marty Brown, Director, OFM

**FROM:** Chang Mook Sohn, Executive Director  
Office of the Forecast Council

**SUBJECT:** JUNE 10, 2001 REVENUE COLLECTION REPORT

General Fund-State collections were very close to the estimate for the May 11 - June 10 collection period. Receipts totaled \$1,042.2 million, only \$296,000 below what was expected for the month. Cumulatively for the three months since the March forecast collections are \$14.3 million, 0.6 percent below the estimate. This month, stronger than expected Revenue Act (retail sales, B&O, use and public utility taxes), estate tax and lottery transfers were offset by weaker than expected property tax and real estate excise tax payments. Although revenue collections were close to the estimate this month, both economic and revenue growth the last three months have been a little weaker than assumed in the March forecast.

Revenue Act collections this period primarily reflect April 2001 business activity. Revenue Act receipts this month were 3.7 percent above the year-ago level (adjusting for legislation and special factors). This month's increase was a welcomed improvement from very weak growth the last two months. Revenue Act receipts were only 0.3 percent above the year ago level last month and only 0.5 percent higher than last year the month before.

Economic conditions remain weak. Nationally, first quarter real GDP grew just 1.3 percent after growing only 1.0 percent in the fourth quarter of 2000. Employment growth remains weak with the number of jobs declining in both April and May. The May U.S. unemployment rate was 4.4 percent up from 4.0 percent in December. At the state level, economic conditions are also weak. Both wage and salary employment and personal income in the first quarter of 2001 were less than expected in the March forecast. The state's unemployment rate in April stood at 5.8 percent, up from 5.0 percent in December.

Despite the current weakness, prospects for improvement later in the year or early next year remain high. Improvement is expected due to the aggressive action by the Federal Reserve to lower interest rates. The signing of the tax bill and the issuance of rebate checks in the third quarter will help.

Although revenue growth rebounded this month, preliminary data on tax payments for the current month indicate weakness pretty much across-the-board. All but two sectors reported year-over-year declines in excise tax payments this month. Most of the declines were in the low to mid-single digit range, with the exception of heavy construction which reported a 16.9 percent decline. The retailing sector which accounts for about half of all Revenue Act tax payments was again weak this month. The sector as a whole was down 2.5 percent. Within retailing the only two-digit SIC sectors not reporting declines in taxes paid were food stores and miscellaneous retailing. The auto sector was down 9.5 percent while the general merchandise sector was down 1.0 percent. The two areas that reported increases were the transportation/communications/utilities sector and the services sector. Both were up substantially. The transportation/communications/utility sector reported a 9.4 percent increase while the service sector reported an 11.3 percent increase.

Other General Fund taxes collected by the Department of Revenue were \$8.3 million below the estimate for the month. A little stronger than expected estate tax and timber excise tax payments were more than offset by a shortfall in property and real estate excise tax payments. Property tax receipts were \$8.2 million below the estimate for the month, however, some of this is believed to be due to a change in the property tax payment pattern and will likely be offset by higher than expected payments in future months.

Non Revenue Act receipts are \$1.2 million above the estimate cumulatively since the March forecast. This is primarily due to stronger than expected estate tax payments and last month's unusually strong real estate excise tax payments. The \$1.2 million variance understates the strength in non revenue act receipts over the last three months since it includes a \$7.3 million shortfall in property tax receipts. At least some of this shortfall is likely due to be offset in coming months.

Real estate activity was up modestly in April 2001 (closings in April reflect tax payments to the state in May). Taxable activity was up 1.8 percent statewide, with transactions up 7.1 percent while average price per transaction fell 4.9 percent. This was down considerable from last months 25.2 percent increase which was primarily due to several unusually large transactions. Mortgage rates have fallen over the last year and are projected to drop a little more in the second half of 2001 which should boost real estate excise activity. However, the period of rapidly appreciating prices appears to be over. This may continue to slow the increase in taxable value offsetting some of the expected stimulus due to lower rates.

Other agencies' collections were \$2.6 million above the forecast in May. Department of Licensing's General Fund collections were \$349,000 above the estimate for the month and are virtually right on the estimate for the threes months since the March forecast. Lottery General Fund transfers were \$2.3 million above the estimate in May and \$5.0 million higher than expected in the last three months.

The attached Table 1 provides a comparison of collections with the March forecast for the May 11 - June 10, 2001 collection period and cumulatively since the March 2001 forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

**TABLE 1**  
**Revenue Collection Report**  
**June 10, 2001 Collections Compared to the March 2001 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
<b>May 11 - June 10, 2001</b>				
Department of Revenue-Total	\$1,033,536	\$1,030,566	(\$2,970)	-0.3%
Revenue Act** (1)	597,455	602,783	5,328	0.9%
Non-Revenue Act(2)	436,081	427,783	(8,298)	-1.9%
Liquor Sales/Liter	6,633	6,502	(132)	-2.0%
Cigarette	5,447	5,288	(159)	-2.9%
Property (State School Levy)	351,537	343,383	(8,154)	-2.3%
Estate	7,271	9,772	2,501	34.4%
Real Estate Excise	35,401	32,745	(2,656)	-7.5%
Timber (state share)	2,406	3,282	876	36.4%
Other	27,386	26,811	(574)	-2.1%
Department of Licensing (2)	3,473	3,821	349	10.0%
Lottery (2)	5,483	7,809	2,326	42.4%
<b>Total General Fund-State***</b>	<b>\$1,042,492</b>	<b>\$1,042,197</b>	<b>(\$296)</b>	<b>-0.0%</b>
<b>Cumulative Variance Since the March Forecast (March 11 - June 10, 2001)3</b>				
Department of Revenue-Total	\$2,528,641	2,508,873	(19,768)	-0.8%
Revenue Act** (3)	1,915,383	1,894,436	(20,947)	-1.1%
Non-Revenue Act(4)	613,258	614,437	1,179	0.2%
Liquor Sales/Liter	19,509	19,983	474	2.4%
Cigarette	16,303	16,226	(77)	-0.5%
Property (State School Levy)	409,095	401,793	(7,302)	-1.8%
Estate	32,180	37,606	5,426	16.9%
Real Estate Excise	93,618	97,623	4,005	4.3%
Timber (state share)	2,406	3,282	876	NA
Other	40,146	37,923	(2,223)	-5.5%
Department of Licensing (4)	6,968	7,383	415	5.9%
Lottery (4)	16,450	21,466	5,015	30.5%
<b>Total General Fund-State***</b>	<b>\$2,552,059</b>	<b>\$2,537,721</b>	<b>(\$14,338)</b>	<b>-0.6%</b>

1 Collections May 11 - June 10, 2001. Collections primarily reflect April 2001 activity of monthly taxpayers.

2 May 1-31, 2001 collections.

3 Cumulative collections, estimates and variance since the March 2001 forecast; (March 11- June 10, 2001) and revisions to history.

4 Cumulative collections, estimates and variance since the March 2001 forecast; ( March - May 2001) and revisions to history.)

\* Based on the March 2001 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

**TABLE 2**  
**May 10, 2001 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
<b>April 11 - May 10, 2001</b>				
Department of Revenue-Total	\$885,596	\$885,596	(\$0)	-0.0%
Revenue Act (1)	763,952	763,952	0	0.0%
Non-Revenue Act(2)	121,643	121,643	0	0.0%
Liquor Sales/Liter	7,305	7,305	(0)	-0.0%
Cigarette	5,520	5,520	(0)	-0.0%
Property (State School Levy)	45,084	45,084	0	0.0%
Estate	10,100	10,100	0	0.0%
Real Estate Excise	42,424	42,424	0	0.0%
Timber (state share)	0	0	0	NA
Other	11,211	11,211	(0)	-0.0%
Department of Licensing (2)	2,741	2,944	203	7.4%
Lottery (2)	6,664	6,664	0	0.0%
Total General Fund-State***	\$895,001	\$895,203	\$202	0.0%

**Cumulative Receipts: March 11 - May 10, 2001 & Revisions to History**

Department of Revenue-Total	1,478,307	\$1,478,305	(\$2)	-0.0%
Revenue Act (3)	1,291,653	1,291,653	(0)	-0.0%
Non-Revenue Act(4)	186,654	186,653	(1)	-0.0%
Liquor Sales/Liter	13,482	13,482	(0)	-0.0%
Cigarette	10,938	10,938	0	0.0%
Property (State School Levy)	58,410	58,410	0	0.0%
Estate	27,834	27,834	0	0.0%
Real Estate Excise	64,878	64,878	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	11,112	11,111	(1)	-0.0%
Department of Licensing (4)	3,359	3,561	202	6.0%
Lottery (4)	13,657	13,657	(0)	-0.0%
<b>Total General Fund-State***</b>	<b>1,495,322</b>	<b>\$1,495,523</b>	<b>\$201</b>	<b>0.0%</b>

P-Preliminary. Reported in the May 10, 2001 collection report.

R Revised data.

1 Collections March 11 - May 10, 2001. Collections primarily reflect March 2001 business activity of monthly taxpayers and Jan.-March activity of quaterly filers.

2 April 1-30, 2001 collections.

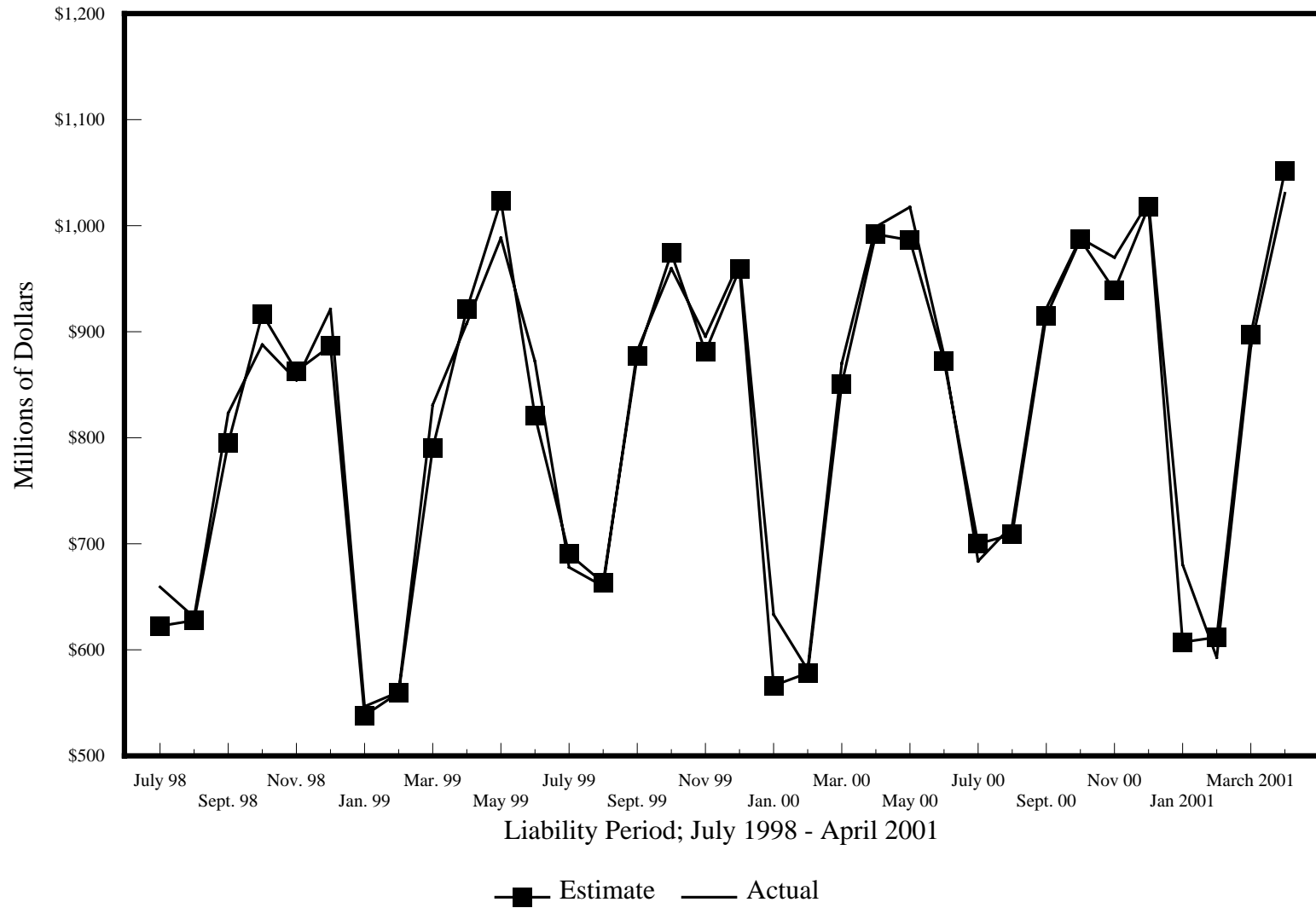
3 Cumulative variance for since the March 2001 forecast: March 11 - May 10,2001 & revisions to history.

4 Cumulative variance: since the March 2001 forecast (March and April 2001 ) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

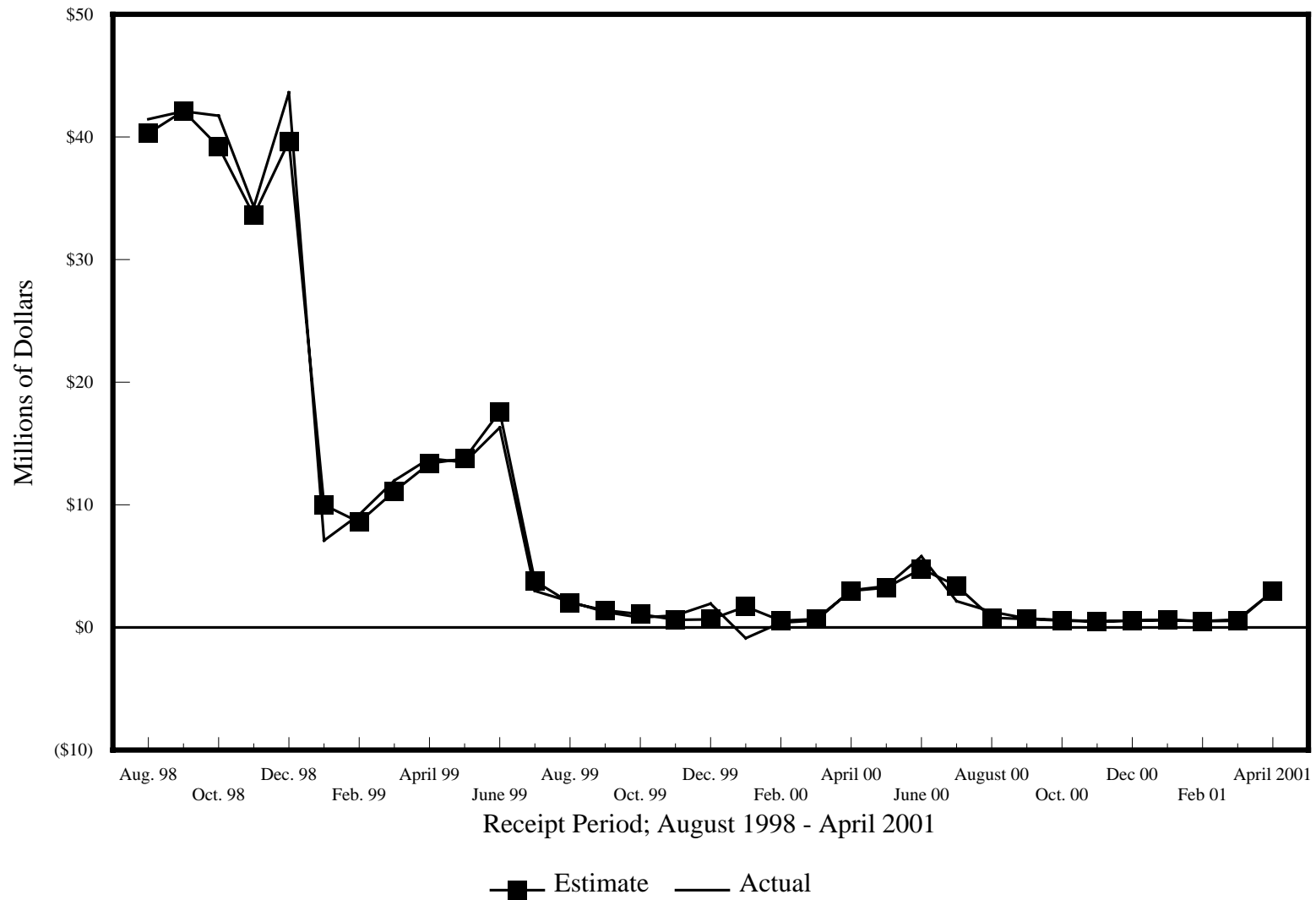
# Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to April 2001



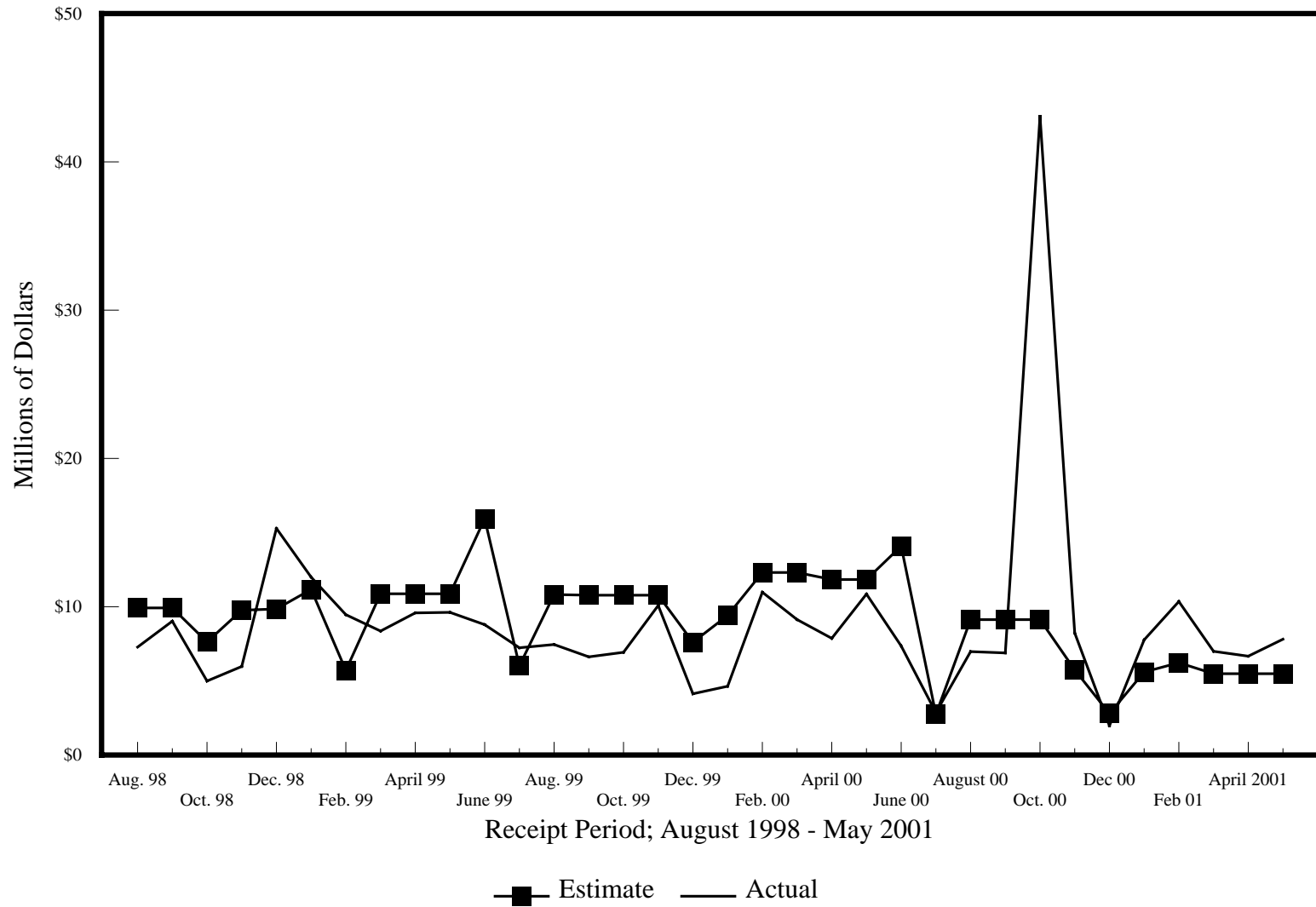
# Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to April 2001



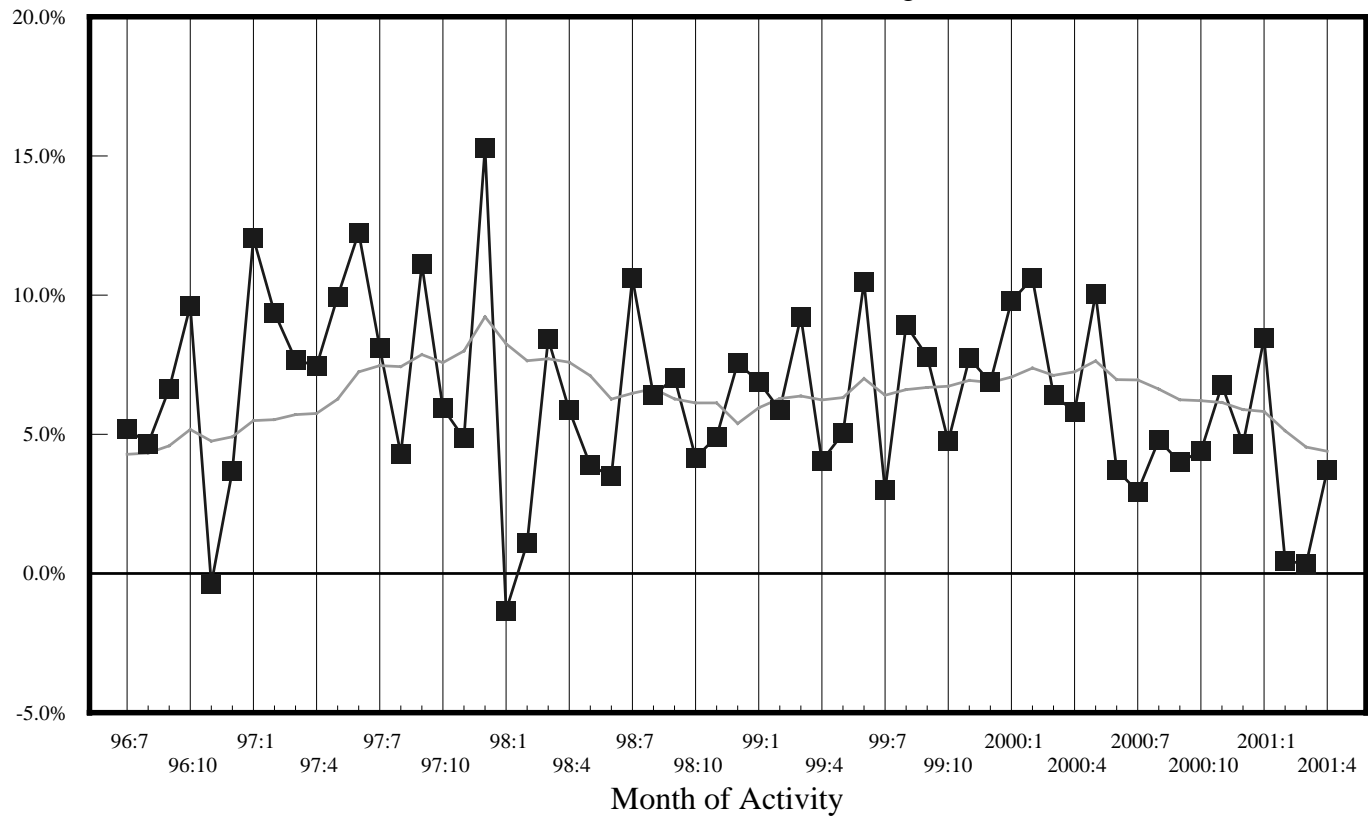
# Lottery Transfers to the General Fund, Actual vs. Estimate

August 98 to May 2001



# Revenue Act Net Collections\*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

\*adjusted for new legislation and unusually large transactions (audit payments, UT payments, refunds and processing delays.)